

FINAL REPORT OF THE LONG-RANGE PLANNING WORKGROUP

A Report Prepared for the
Legislative Finance Committee

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Introduction

The Long-Range Planning workgroup (LRPwg) undertook four projects during the 2009 biennium interim. A summary of the results of the workgroup efforts are presented in this report. This report is intended to be the final record of the LRPwg actions, and committee members should expect some repetition of the conclusions of previously completed projects. The projects undertaken and completed by the workgroup consisted of:

- 1) Capital Project Status Reports – Development of a tracking tool to quickly and easily provide the status of projects authorized in the Long-Range Building Program (LRBP) and the Long Range Information Technology Program (LRITP). The objective of this project, which was recommended by staff, was to develop a method for legislative tracking of the progress of capital projects.
- 2) TSEP Funding Issues – An analysis of the cost of the program changes made by the 60th Legislature and the impact to future program/grant funding. This project was initially proposed by the Legislative Finance Committee (LFC) with the expectation of developing recommendations related to the changes, for the committee’s consideration.
- 3) FWP Appropriation Status – An analysis of how capital project appropriations are expended and a review of whether projects are correctly classified as capital projects. This project was proposed by staff as a task that should be conducted routinely, but a task that would take too much time to complete by the Long-Range Planning Subcommittee in session work.
- 4) Define Capital Project – Development of a statutory definition of “capital project” to be included in the LRBP statutes, Title 17, Chapter 7, part 2, MCA. This project was proposed by staff to the Budget and Appropriations Subcommittee of the LFC because of the number of projects and programs currently included in the LRBP that do not appear consistent with the concept of a state capital projects as directed in the application guidelines of the LRBP. The subcommittee recommended that the LRPwg work to develop a statutory definition for “capital project”.

1) Capital Project Status Reports

Project Rationalization

The Long-Range Planning (LRP) Subcommittee makes project appropriations for most large capital projects. Included are statewide project appropriations for new state buildings and additions to state buildings, through the Long-Range Building Program (LRBP) and major information technology (IT) projects for state government, through the Long-Range Information Technology Program (LRITP). During the legislative session, members of the LRP Subcommittee are informed of the status of projects appropriated in prior biennia, but during the interim legislators are typically made aware of the status of certain projects only when discussed in the media. The development of a “tool” to track the progress, or status, of major capital projects would serve to keep the legislature informed of the status of the capital projects. The status reports could be considered components of the performance measurement budgeting project currently being conducted by the LFC.

LRPwg Product

The LRPwg developed a report format to keep legislative members apprised of the status of certain LRBP and LRITP projects. The status report tracks the project using a set of benchmarks that designate the progress towards completion of the project. The LRPwg recommended that the reports be updated twice each year during the interim. The first update was presented at the June, 2008 LCF meeting, and the final interim status report will be provided at the November LFC meeting. An updated report will also be presented in the legislative session to the LRP Joint Appropriation Subcommittee. There are no action items for the LFC related to this project.

2) TSEP Issues

Project Rationalization

Several significant changes were made to the Treasure State Endowment Program (TSEP) that became contentious issues for the program in the early days of the 2009 biennium. First, the Department of Commerce (DOC) ranking process was effectively eliminated when all recommended projects were funded. Second, language in HB 512 (the 60th Legislature's TSEP bill) established the condition that without all other funding firmly committed before the end of the 2009 biennium, local governments would not receive their TSEP grants, and would potentially be required to reapply for funding in the 2011 biennium. The DOC had stated that they would strictly interpret the condition as a method to limit the number of grants that would be funded in the 2009 biennium. The position established by the DOC raised concerns in local governments related to their ability to meet the condition and obtain the grant awards.

At the March meeting, the DOC brought a revised proposal to the LFC. The proposal indicated that the DOC would provide more flexibility in determining whether local governments had met all the "start-up conditions", as outlined in HB 512. The concession specifically proposed the consideration of reduced project scopes, under certain conditions. The LFC provided their agreement for the proposal, which allowed several local governments to go forward with their projects and obtain the authorized TSEP grant.

The DOC proposal eliminated the more contentious issues in the TSEP program, but the proposal made the need for TSEP to borrow funds from the Board of Investments (BOI) more likely. Upon recognition of the greater likelihood of a substantial TSEP loan, the LRPwg redirected efforts towards developing a recommendation related to the repayment of the TSEP loan.

LRPwg Product

At the August 20, 2008 LRPwg meeting, the workgroup analyzed data and information of the effects that the expected debt service would have on future grant funding in the TSEP program. Loan costs and various debt service scenarios, based on loan amounts of \$11.8 million and \$14 million, were prepared by the BOI. The debt service scenarios were incorporated into a model for future grant funding. The model included projections of future program interest and earnings, program costs, and provided the amount of funds that would remain for grant funding.

During the meeting, the LRPwg also heard information related to the probability of a substantial 2011 biennium beginning fund balance in the Renewable Resource Grant and Loan (RRGL) program. The 60th Legislature, in HB 512, authorized a \$2.2 million TSEP grant for the RRGL program. The grant would allow the RRGL program to fund all the grant requests that were presented to the 60th Legislature. Because the RRGL is funded in part with combined oil and natural gas taxes, and given the unexpectedly high collections of the combined taxes in FY 2008, the LFD believes there is a good chance that the RRGL program (natural resource projects account) will have a substantial beginning fund balance at the beginning of the 2011 biennium, and may have sufficient funds to fund all the grants authorized in the 2009 biennium without the need for a grant from the TSEP.

Finally, the LRPwg heard testimony from the DOC Director, Tony Preite, who recommended that it was too early for the workgroup to make recommendations related to the future TSEP debt service. Upon analysis of the data and after hearing testimony from Director Preite and others, the LRPwg chose not to make a recommendation to the Legislative Finance Committee related to the future debt service of the TSEP loan. However, the LRPwg did recommend that the LFC take the following action.

Action Item:

The Legislative Finance Committee recommends that the 61st Joint Subcommittee on Long-Range Planning use 2011 beginning fund balances in the TSEP account (for TSEP grants) and the natural resource projects account (for RRGL grants) to fund grants authorized by the 60th Legislature.

- 1) The LFC agrees to make the recommendation to the 61st LRP Subcommittee.
- 2) The LFC does not agree to make the recommendation to the 61st LRP Subcommittee.

3) FWP Appropriation Status

Project Rationalization

State accounting data indicates that some of the Fish, Wildlife, and Parks (FWP) long-range appropriations are not being expended in a timely manner. Because the projects are designated as “capital projects”, the appropriations remain valid until the projects are completed, or the appropriations are fully expended. In some cases, FWP had unexpended capital project appropriations authorized by the 57th Legislature, almost eight years ago. As appropriation authority is unexpended, substantial amounts of authority is accumulated, especially for those projects to which funds are appropriated in each biennium.

LRPwg Product

The LRPwg met in a conference call on April 28, 2008, reviewed capital FWP project appropriations, and discussed the reasons for the outstanding balances and issues related to the classification of certain FWP projects as “capital projects”. The analysis uncovered many appropriation balances that could be reverted. FWP staff also explained that certain balances were related to ongoing projects, and two projects were identified that do not qualify as “capital projects”. Additional questions were raised concerning whether the numerous FWP grants programs could be considered “capital projects”, given that the grants fund projects on non-state owned properties.

The LRP working group made the following recommendations and decisions for staff (LFD and FWP) action:

- Revert project appropriations that have been completed or will not go forward
- Move the “Fishing Access Site” maintenance project to the general appropriations act
- Move the bird release component of “Upland Game Bird Program” to the general appropriations act
- Investigate the ability to place sunsets on capital projects
- Investigate alternative methods of handling of FWP grant programs
- Investigate better methods for reflecting appropriation amounts on future status reports

The LRPwg members decided to meet again in November, after election but before caucus, to receive an update on the recommended actions and decisions. Due to the timing of the planned meeting in November, there will not be a report of the FWP update to the LFC. There are no action items for the LFC related to this project.

4) Define Capital Project

Project Rationalization

Throughout the Long-Range Building Program (LRBP) section of the Montana code, Title 17, Chapter 7, there are references to capital projects, yet there is no defined meaning of the term. Since the formation of the LRBP, the program has expanded to include new types of projects and programs. As seen in the LRBP bill (HB 5), the LRBP includes not just new state buildings and major repair/remodel projects, but also major highway construction, the purchase of parcels of land, and the funding of numerous maintenance type programs. State programs are generally funded in the general appropriations act (HB 2), which permits the legislature to oversee the functions of the program. However with the expansion of the LRBP, certain maintenance type programs have avoided biennial legislative oversight by adopting the designation of a capital project. Consequently, such programs are able to take advantage of the conditions provided in 17-7-212, MCA, which states, “The remaining balances on capital projects previously approved by the legislature are re-appropriated for the purposes of the original appropriation until the projects are completed.” The lack of a clear definition of “capital project” makes

the statute ambiguous and provides the potential for improper use of the statutory condition. Defining “capital project” would end the ambiguity and improve the legislative budget process.

LRPwg Product

The LRPwg met August 6, 2008 in a conference call to discuss the development of a statutory definition for “capital project”. The workgroup started the work with a definition currently used by the LRBP in the program’s “Instructions and Procedures” guide (which exists to direct the types of projects that are included in the LRBP). At that meeting, the LRPwg requested that staff work to determine 1) that certain unusual types of projects could be appropriated through the LRBP and 2) that there was a specific location for the future appropriation of FWP non-state owned capital grant programs (projects which would not be considered “capital projects” under proposed definition). Staff was directed to report back to the workgroup by email.

In a meeting with concerned parties, staff determined that the unusual projects could be appropriated through the LRBP and FWP non-state owned capital grants programs, and those projects/programs which could not be funded through the LRBP under the purposed definition, could be appropriated in a new section of the LRBP bill, HB 5. After receiving the results of staff’s follow-through, the workgroup continued the discussion of development of the statutory definition at the August 20, 2008 conference call meeting.

Following a discussion of the issues related to defining “capital project”, the LRPwg decided that it would not be a good idea to develop and recommend a statutory definition for “capital project” at this time. The workgroup members raised concerns regarding the future appropriation of non-state capital programs and the potential for unanticipated consequences related to a statutory definition of “capital project”. Consequently, the workgroup determined that there was a lack of confidence in the proposal, which would make the passage of the related legislation difficult. There are no action items for the LFC related to this project.

Conclusion

This report is the final record of the LRPwg actions. This report summarizes the efforts of the LRPwg during the 2007 to 2008 interim. The workgroup worked on four projects and finalized the discussions and activities of four projects. There will be a final update of the FWP Appropriation Status project in November, but there will not be a report of the update to the LFC. Interested parties should check the LFD website, under the LRP Workgroup link for notice of the final meeting.

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